

CITY OF SANBORN, IOWA

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS**

JUNE 30, 2014

**T. P. ANDERSON & COMPANY, P.C.
Certified Public Accountants**

Table of Contents

	<u>Page</u>
Officials	1
Independent Auditor's Report	2-4
Management's Discussion and Analysis	5-11
Basic Financial Statements:	<u>Exhibit</u>
Government-wide Financial Statement:	
Cash Basis Statement of Activities and Net Position	A 12
Governmental Fund Financial Statements:	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B 13
Reconciliation of the Statement of Cash Receipts, Disbursements and Changes in Cash Balances to the Cash Basis Statement of Activities and Net Position – Governmental Funds	C 14
Proprietary Fund Financial Statements:	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	D 15
Reconciliation of the Statement of Cash Receipts, Disbursements and Changes in Cash Balances to the Cash Basis Statement of Activities and Net Position – Proprietary Funds	E 16
Notes to Financial Statements	17-25
Other Information:	
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds	26
Notes to Other Information – Budgetary Reporting	27

Supplementary Information:	<u>Schedule</u>	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances – Nonmajor Governmental Funds	1	28
Schedule of Indebtedness	2	29
Bond and Note Maturities	3	30
Schedule of Receipts by Source and Disbursements by Function – All Governmental Funds	4	31
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		32-33
Schedule of Findings		34-37

CITY OF SANBORN, IOWA

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Duane VanVeldhuizen	Mayor	January 2016
Greg Vogelaar	Council Member	January 2016
Josh Rydberg	Council Member	January 2016
Brian Visser	Council Member	January 2016
Jerry Back	Council Member	January 2018
Randy Lyman	Council Member	January 2018
Jim Zeutenhorst	City Administrator	Appointed
Peggy Japenga	City Clerk/Accountant	Appointed
Daniel DeKoter	Attorney	Appointed

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Sanborn, Iowa, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion

The City has not included financial data from Sanborn Electric and Telecommunications Utility, a component unit of the City of Sanborn by definition, in the City's financial statements. Accounting principles generally accepted in the United States of America require the financial data to be presented as a discretely presented component unit in the Cash Basis Statement of Activities and Net Position. The amount by which this departure would affect the overall cash balance, cash receipts and disbursements of the City as of and for the year ended June 30, 2014 has not been determined.

Adverse Opinion

In our opinion, because of the significance of the matter described in the “Basis for Adverse opinion on the City’s Component Unit” paragraph, the financial statements referred to above do not present fairly the cash balance of Sanborn Electric and Telecommunications Utility, a component unit of the City of Sanborn as of June 30, 2014 or the cash receipts and disbursements thereof for the year then ended in conformity with the basis of accounting described in Note 1.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Sanborn as of June 30, 2014, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Sanborn’s basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the five years ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The financial statements for the four years ended June 30, 2008 (none of which are presented herein) were audited by other auditors. Those audit reports expressed unmodified opinions on the primary government financial statements for the four years ended June 30, 2008. The supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, Management’s Discussion and Analysis and the budgetary comparison information on pages 5-11 and 26-27 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 5, 2015 on our consideration of the City of Sanborn’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on

compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Sanborn's internal control over financial reporting and compliance.

T.P. Anderson & Company, P.C.

February 5, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Sanborn, Iowa provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2014. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2014 FINANCIAL HIGHLIGHTS

- The City's total receipts for governmental activities increased by approximately \$482,000 from 2013. The increase was due in large part to the increased bond proceeds received in fiscal year 2014.
- Disbursements from the City's governmental activities increased by approximately \$844,000 in fiscal year 2014 from fiscal year 2013. Disbursements increased mainly due to the street improvement project during the year.
- The City's total cash basis net position decreased \$414,000 from June 30, 2013 to June 30, 2014. Of this amount, the cash basis net position of the governmental activities decreased by approximately \$155,000 and the cash basis net position of the business type activities decreased by approximately \$259,000.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overview of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Supplementary Information provides detailed information about the nonmajor governmental funds, the City's indebtedness, and the Governmental Funds' cash receipts and disbursements for the year.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with accounting principles generally accepted in the United States. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Cash Basis Statement of Activities and Net Position reports information which helps answer this question.

The Cash Basis Statement of Activities and Net Position presents the City's net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the water, gas, sewer rental and solid waste collection system. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic service. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax, Urban Renewal Tax Increment and Local Option Sales Tax, and 3) the Debt Service Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

2) Proprietary funds account for the City's Enterprise Funds and the Internal Service Fund. Enterprise Funds are used to report business-type activities. The City maintains four Enterprise Funds to provide separate information for the water, gas, sewer rental and solid waste collection funds. Internal Service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions.

The required financial statements for proprietary funds include a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

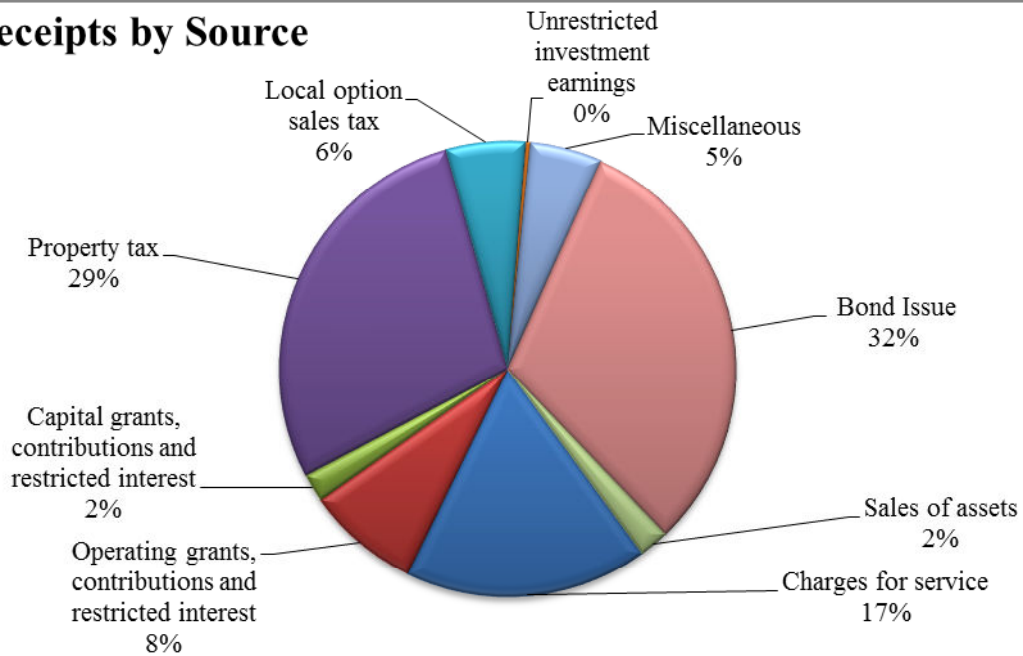
Reconciliations between the government-wide statement and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

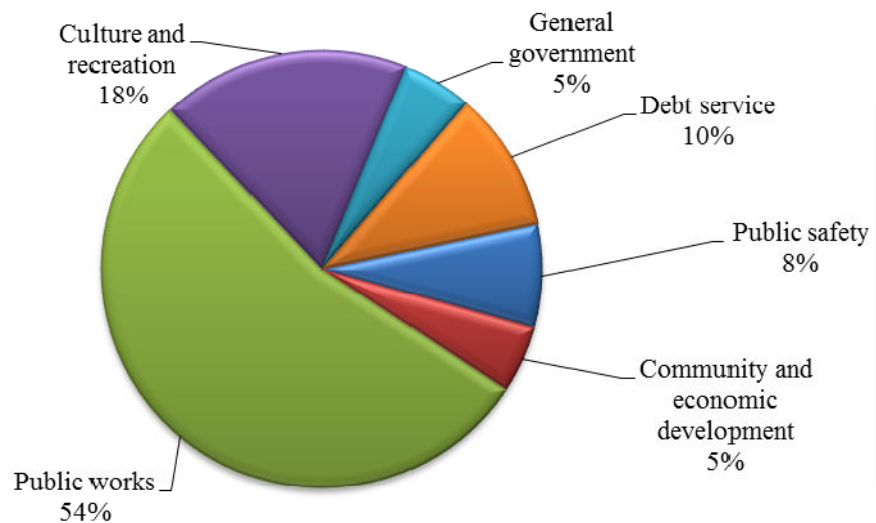
Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago by approximately \$155,000. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Position of Governmental Activities (Expressed in Thousands)		
	Year ended June 30.	
	2014	2013
Receipts:		
Program receipts:		
Charges for service	\$ 412	405
Operating grants, contributions and restricted interest	240	218
Capital grants, contributions and restricted interest	48	155
General receipts:		
Property tax	439	424
Tax increment financing	239	310
Local option sales tax	135	134
Unrestricted investment earnings	8	8
Bonds issued	700	150
Miscellaneous	161	137
Sales of assets	51	10
Total receipts	<u>2,433</u>	<u>1,951</u>
Disbursements:		
Public Safety	219	600
Public works	195	176
Culture and recreation	525	507
Community and economic development	142	142
General government	146	164
Debt service	296	433
Capital projects	1,343	-
Total disbursements	<u>2,866</u>	<u>2,022</u>
Change in cash basis before transfers	(433)	(71)
Transfers, net	278	76
Change in cash basis net position	(155)	5
Cash basis net position beginning of year	<u>1,185</u>	<u>1,180</u>
Cash basis net position end of year	<u>\$ 1,030</u>	<u>1,185</u>

Receipts by Source



Disbursements by Function



The City's total receipts for governmental activities increased 25%, or approximately \$482,000. The increase in receipts was primarily the result of proceeds received from the issuance of general obligation debt during the year. The total cost of all programs and services increased by approximately \$844,000, or 42%, primarily due to the street improvement project being funded out of the capital projects function during the year.

The cost of all governmental activities this year was approximately \$2.867 million compared to approximately \$2.022 million last year. However, as shown in the Cash Basis Statement of Activities and Net Position on page 11, the amount taxpayers ultimately financed for these activities was approximately \$2.166 million because some of the cost was paid by those directly benefited from the programs (approximately \$412,000) or by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest (approximately \$288,410). The City paid for the remaining "public benefit" portion of governmental activities with property tax (some of which could only be used for certain programs) and with other receipts, such as interest, local option sales tax and miscellaneous receipts. Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for service, decreased in fiscal year 2014 from approximately \$778,000 in 2013 to approximately \$700,000, principally due to decreased grant proceeds.

Changes in Cash Basis Net Position of Business-Type Activities (Expressed in Thousands)		
	Year ended June 30.	
	2014	2013
Receipts:		
Charges for service:		
Water	\$ 273	253
Gas	1,458	986
Sewer rental	404	416
Solid waste collection	131	114
Bond proceeds	-	695
Unrestricted interest on investments	4	8
Total receipts	<u>2,270</u>	<u>2,472</u>
Disbursements:		
Water	226	613
Gas	1,446	953
Sewer rental	472	484
Solid waste collection	107	104
Total receipts	<u>2,251</u>	<u>2,154</u>
Change in cash basis before transfers	19	318
Transfers, net	<u>(278)</u>	<u>(76)</u>
Change in cash basis net position	(259)	242
Cash basis net position beginning of year	<u>1,076</u>	<u>834</u>
Cash basis net position end of year	<u>\$ 817</u>	<u>1,076</u>

Total business type activities receipts for the fiscal year were approximately \$2.27 million compared to approximately \$2.47 million from last year. The decrease was due primarily to the receipt of \$695 million of bond proceeds in the prior year that was not received in the current year. Disbursements increased slightly however due to an increase in the gas purchases as gas prices and consumption in fiscal year 2014. This increase was offset by the decrease of capital project expenditures noted in the water fund.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Sanborn completed the year, its governmental funds reported a combined fund balance of \$949,263, a decrease of approximately \$218,000 from last year's total of \$1,166,852. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased by \$105,635 during the year. This increase was due to budgeted capital expenditures exceeding actual expenditures during the year.
- The Special Revenue, Urban Renewal Tax Increment Fund cash balance decreased by \$205,915, primarily from the transfer of \$165,000 to the Low-Moderate Housing fund in anticipation of funding the low and moderate housing obligation.
- The Special Revenue, Low-Moderate Housing fund cash balance increased \$135,122 in fiscal year 2014 due to the transfer of \$165,000 from the Urban Renewal Tax Increment Fund in anticipation of funding the housing obligation.
- The Special Revenue, Development Fund decreased \$154,871 due a transfer of \$200,000 made to the General Fund during the year. The transfer was to help fund the street improvement project.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Water Fund increased \$43,152 due to normal operations of the fund.
- The Sewer Fund decreased \$71,963 due mainly to increased capital expenses in the fiscal year.
- The Gas Fund decreased \$270,077 over the primarily from transfers made to the General Fund, the Employee Benefits Fund and the Internal Service Fund during the year of \$284,500.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget once. The budget amendment was approved on May 15, 2014 resulting in an increase in operating disbursements for Culture and Recreation of \$295,850 and a reclassification of \$200,000 of operating disbursements from the business-type activities to the Community and Economic Development function. The City's actual disbursements exceeded budgeted limits for the culture and recreation and the debt service functions for the year ended June 30, 2014.

DEBT ADMINISTRATION

At June 30, 2014, the City had approximately \$2,930,000 in bonds and other long-term debt, compared to approximately \$2,558,000 last year, as shown below.

Outstanding Debt at Year-End (Expressed in Thousands)		
	Year ended June 30.	
	2014	2013
General obligation bonds and notes	\$ 1,745	\$ 1,290
Revenue bonds and notes	1,185	1,268
Total receipts and transfers	<u>\$ 2,930</u>	<u>\$ 2,558</u>

Debt increased as a result of receiving the proceeds of water revenue bonds during the year.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$1.745 million is 59% of the City's constitutional debt limit of \$2.97 million.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In completing the fiscal year 2015 budget the elected and appointed officials of Sanborn considered many factors. Those factors included the economy, employment rates, operating expenses, capital projects, and other government mandates. A conservative approach was used and a balanced budget is anticipated.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the City Clerk, 102 Main Street, Sanborn, Iowa.

Basic Financial Statements

CITY OF SANBORN, IOWA

CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION
AS OF AND FOR THE YEAR ENDED JUNE 30, 2014

Functions/Programs	Disbursements	Program Receipts		
		Charges for Service	Operating Grants Contributions and Restricted Interest	Capital Grants Contributions and Restricted Interest
Governmental activities:				
Public safety	219,487	51,290	-	-
Public works	195,315	-	187,162	-
Culture and recreation	525,060	352,422	13,317	-
Community and economic development	141,757	-	-	48,431
General government	146,207	8,350	39,500	-
Debt service	295,826	-	-	-
Capital project	1,343,021	-	-	-
Total governmental activities	2,866,673	412,062	239,979	48,431
Business type activities:				
Water	226,171	272,700	-	-
Gas	1,446,551	1,457,709	-	-
Sewer rental	471,904	404,439	-	-
Solid waste collection	106,934	131,286	-	-
Total business type activities	2,251,560	2,266,134	-	-
Total	5,118,233	2,678,196	239,979	48,431

General Receipts

Property tax levied for:	
General purposes	
Employee benefits	
Debt service	
Tax increment financing	
Local option sales tax	
Unrestricted interest on investments	
Bond proceeds	
Miscellaneous	
Sales of assets	
Transfers in (out)	
Total general receipts and transfers	
Change in cash basis net position	
Cash beginning of year	
Cash end of year	

Cash Basis Net Position

Restricted	
Expendable	
Urban renewal purposes	
Streets	
Debt service	
Other purposes	
Unrestricted	

See notes to financial statements.

Exhibit A

Net (Disbursements) Receipts and Changes in Cash		
Governmental Activities	Business Type Activities	Total
(168,197)	-	(168,197)
(8,153)	-	(8,153)
(159,321)	-	(159,321)
(93,326)	-	(93,326)
(98,357)	-	(98,357)
(295,826)	-	(295,826)
(1,343,021)	-	(1,343,021)
(2,166,201)	-	(2,166,201)
-	46,529	46,529
-	11,158	11,158
-	(67,465)	(67,465)
-	24,352	24,352
-	14,574	14,574
(2,166,201)	14,574	(2,151,627)
285,576	-	285,576
72,607	-	72,607
81,084	-	81,084
239,244	-	239,244
134,506	-	134,506
7,825	4,470	12,295
700,000	-	700,000
161,369	-	161,369
50,875	-	50,875
278,000	(278,000)	-
2,011,086	(273,530)	1,737,556
(155,115)	(258,956)	(414,071)
1,185,210	1,076,337	2,261,547
1,030,095	817,381	1,847,476
5,397	-	5,397
82,654	-	82,654
13,501	72,812	86,313
366,382	-	366,382
562,161	744,569	1,306,730
1,030,095	817,381	1,847,476

CITY OF SANBORN, IOWA

Exhibit B

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2014

	General	Special Revenue			Nonmajor Governmental Funds	Total
		Urban Renewal Tax Increment	Low-Moderate Housing	Development		
Receipts:						
Property tax	\$ 285,576	-	-	-	153,691	439,267
Tax increment financing	-	239,244	-	-	-	239,244
Other city tax	11,510	-	-	-	134,506	146,016
Licenses and permits	2,281	-	-	-	-	2,281
Use of money and property	4,770	1,059	178	1,284	534	7,825
Intergovernmental	99,784	-	-	-	188,626	288,410
Charges for service	412,062	-	-	-	-	412,062
Miscellaneous	108,592	-	-	12	-	108,604
	<u>924,575</u>	<u>240,303</u>	<u>178</u>	<u>1,296</u>	<u>477,357</u>	<u>1,643,709</u>
Disbursements:						
Public safety	180,470	-	-	-	39,017	219,487
Public works	42,617	-	-	-	152,698	195,315
Culture and recreation	513,335	-	-	-	11,725	525,060
Community and economic development	-	1,000	-	2,767	137,990	141,757
General government	140,952	-	-	-	5,255	146,207
Debt service	-	280,218	-	-	15,608	295,826
Capital projects	1,343,021	-	-	-	-	1,343,021
	<u>2,220,395</u>	<u>281,218</u>	<u>-</u>	<u>2,767</u>	<u>362,293</u>	<u>2,866,673</u>
Excess (deficiency) of receipts over (under) disbursements	(1,295,820)	(40,915)	178	(1,471)	115,064	(1,222,964)
Other financing sources (uses):						
Sales of assets	4,275	-	-	46,600	-	50,875
Bonds issued	700,000	-	-	-	-	700,000
Operating transfers in	720,680	-	165,000	-	45,056	930,736
Operating transfers out	(23,500)	(165,000)	(30,056)	(200,000)	(257,680)	(676,236)
	<u>1,401,455</u>	<u>(165,000)</u>	<u>134,944</u>	<u>(153,400)</u>	<u>(212,624)</u>	<u>1,005,375</u>
Net change in cash balances	105,635	(205,915)	135,122	(154,871)	(97,560)	(217,589)
Balance beginning of year	375,694	211,312	43,314	282,956	253,576	1,166,852
Balance end of year	<u>\$ 481,329</u>	<u>5,397</u>	<u>178,436</u>	<u>128,085</u>	<u>156,016</u>	<u>949,263</u>
Cash Basis Fund Balance						
Restricted for:						
Urban renewal purposes	\$ -	5,397	-	-	-	5,397
Streets	-	-	-	-	82,654	82,654
Debt service	-	-	-	-	13,501	13,501
Other purposes	-	-	178,436	128,085	59,861	366,382
Assigned for:						
Library	37,054	-	-	-	-	37,054
Ambulance	8,003	-	-	-	-	8,003
Unassigned	436,272	-	-	-	-	436,272
Total cash basis fund balances	<u>\$ 481,329</u>	<u>5,397</u>	<u>178,436</u>	<u>128,085</u>	<u>156,016</u>	<u>949,263</u>

See notes to financial statements.

CITY OF SANBORN, IOWA

Exhibit C

Reconciliation of the Statement of
Cash Receipts, Disbursements and Changes in Cash Balances
to the Cash Basis - Statement of Activities and Net Position
Governmental Funds

As of and for the year ended June 30, 2014

Total governmental funds cash balances	\$ 949,263
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Amounts reported for governmental activities in the Cash Basis Statement of Activities and Net Position are different because:

The Internal Service Fund is used by management to charge the cost of using city equipment to individual funds. This portion of the cash basis net position of the Internal Service Fund are included in governmental activities in the Cash Basis Statement of Activities and Net Position.

80,832
<hr/>

Cash basis net position of governmental activities	<hr/> <hr/>
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1,030,095

Net change in cash balances	(217,589)
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Amounts reported for governmental activities in the Cash Basis Statement of Activities and Net Position - Cash Basis are different because:

The Internal Service fund is used by management to charge the costs of the use of city equipment to individual funds. This portion of change in the cash basis net position of the Internal Service Fund is reported with the governmental activities.

62,474
<hr/>

Change in cash balance of governmental activities	<hr/> <hr/>
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\$ (155,115)

See notes to financial statements.

CITY OF SANBORN, IOWA

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
PROPRIETARY FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2014

	Enterprise Funds				
	Water	Gas	Sewer Rental	Non-Major Solid Waste Collection	Total
Receipts					
Charges for service	\$ 272,700	1,455,604	404,439	131,286	2,264,029
Use of money and property	-	2,105	-	-	2,105
	272,700	1,457,709	404,439	131,286	2,266,134
Disbursements					
Total operating disbursements	165,103	1,446,551	332,400	106,934	2,050,988
	165,103	1,446,551	332,400	106,934	2,050,988
Excess of operating receipts over operating disbursements	107,597	11,158	72,039	24,352	215,146
Non-operating receipts (disbursements):					
Interest on investments	623	3,265	502	80	4,470
Debt service	(54,110)	-	(62,923)	-	(117,033)
Capital projects	(6,958)	-	(76,581)	-	(83,539)
Excess (deficiency) of receipts over (under) disbursements	47,152	14,423	(66,963)	24,432	19,044
Other financing sources (uses):					
Operating transfers in	-	-	-	-	-
Operating transfers out	(4,000)	(284,500)	(5,000)	(10,000)	(303,500)
	(4,000)	(284,500)	(5,000)	(10,000)	(303,500)
Net change in cash balances	43,152	(270,077)	(71,963)	14,432	(284,456)
Balance beginning of year	34,371	846,730	118,119	(28,495)	970,725
Balance end of year	\$ 77,523	576,653	46,156	(14,063)	686,269
Cash Basis Fund Balances					
Restricted for debt service	\$ 67,712	-	5,100	-	72,812
Unrestricted	9,811	576,653	41,056	(14,063)	613,457
	\$ 77,523	576,653	46,156	(14,063)	686,269

See notes to financial statements.

Exhibit D

Internal Service Fund	
Equipment Replacement	Total
-	2,264,029
38,974	41,079
38,974	2,305,108
-	2,050,988
-	2,050,988
38,974	254,120
-	4,470
-	(117,033)
-	(83,539)
38,974	58,018
49,000	49,000
-	(303,500)
49,000	(254,500)
87,974	(196,482)
123,970	1,094,695
211,944	898,213
-	72,812
211,944	825,401
211,944	898,213

CITY OF SANBORN, IOWA

Exhibit E

Reconciliation of the Statement of
Cash Receipts, Disbursements and Changes in Cash Balances
to the Cash Basis Statement of Activities and Net Position
Proprietary Funds

As of and for the year ended June 30, 2014

Total enterprise funds cash balances	\$ 686,269
---	------------

Amounts reported for business-type activities in the Cash Basis Statement of Activities and Net Position - Cash Basis are different because:

The Internal Service Fund is used by management to charge the costs of using city equipment to individual funds. This portion of the cash basis net position of the Internal Service Fund are included in business-type activities in the Cash Basis Statement of Activities and Net Position.

131,112

Cash basis net position of business type activities

817,381

Net change in cash balances	(284,456)
------------------------------------	-----------

Amounts reported for business-type activities in the Cash Basis Statement of Activities and Net Position - Cash Basis are different because:

The Internal Service fund is used by management to charge the costs of the use of city equipment to individual funds. This portion of the change in cash basis net position in the Internal Service Fund is reported with the enterprise activities in the Cash Basis Statement of Activities and Net Position.

25,500

Change in cash balance of business-type activities

\$ (258,956)

See notes to financial statements.

CITY OF SANBORN, IOWA

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

(1) **Summary of Significant Accounting Policies**

The City of Sanborn is a political subdivision of the State of Iowa located in O'Brien County. It was first incorporated in 1878 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, culture and recreation, community and economic development, and general government services. The City also provides water, gas, sewer rental and solid waste collection services to its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Sanborn has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City.

Excluded Component Unit

The financial statements do not include financial data for Sanborn Electric and Telecommunications Utility, a legally separate entity which should be reported as a discretely presented component unit.

The Sanborn Electric and Telecommunications Utility, established under Chapter 388 of the Code of Iowa, is legally separate from the City, but has the potential to provide specific benefits to or impose specific burdens on the City. The Municipal Utilities is governed by a Board of Trustees appointed by the Mayor and approved by the City Council to six-year terms. The Utility provides electric service to the residents and businesses of the City of Sanborn. Cable television, internet and telephone service is provided through the Utility's involvement with the Community Cable Television Agency of O'Brien County. Complete financial statements for the year ended December 31, 2013, can be obtained from the Municipal Utilities administration office, 102 Main Street, Sanborn, Iowa.

CITY OF SANBORN, IOWA

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Northwest Iowa Landfill Association, E-911 Board, Northwest Iowa League of Cities Board, Northern Municipal Distributors Group, O'Brien County Economic Development Board, Vector Safety Board and the Northwest Iowa Planning Commission.

B. Basis of Presentation

Government-wide Financial Statements – The Cash Basis Statement of Activities and Net Position reports information on all the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

Expendable restricted net position result when constraints placed on net positions' use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of cash balances not meeting the definition of the preceding category. Unrestricted net position often has constraints on resources imposed by management, which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

CITY OF SANBORN, IOWA

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Urban Renewal Tax Increment Fund is used to account for urban renewal projects financed by tax increment financing.

The Low-Moderate Housing Fund is used to account for the tax increment financing dollars allocated to the low and moderate housing obligation.

The Development Fund is used to account for lot sales in the City's housing development.

The City reports the following major proprietary funds:

The Enterprise, Water Fund accounts for the operation and maintenance of the City's water system.

The Enterprise, Gas Fund accounts for the operation and maintenance of the City's gas system.

The Enterprise, Sewer Fund accounts for operation and maintenance of the City's waste water treatment and sanitary sewer system.

The City also reports the following additional proprietary type fund:

The Internal Service Fund, Equipment Replacement, is used to accumulate funds for capital equipment additions the City may need in the future.

C. Measurement Focus and Basis of Accounting

The City of Sanborn maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable, and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis assets available to

CITY OF SANBORN, IOWA

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the Council intends to use for specific purposes.

Unassigned - All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. The City expenditures for the culture and recreation and the debt service functions exceeded the amount budgeted for the year ended June 30, 2014.

(2) Cash and Investments

The City's deposits in banks at June 30, 2014 (which include certificates of deposit totaling \$966,371) were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

CITY OF SANBORN, IOWA

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; and certain joint investment trusts and warrants or improvement certificates of a drainage district.

At June 30, 2014, the City had the following investments:

Type	Carrying Amount	Fair Value
United States Savings Bonds Series EE – mature July 2034	\$ 15,302	\$ 15,302

Interest rate risk – The City’s investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

(3) Bonds and Notes Payable

Annual debt service requirements to maturity for general obligation notes and revenue notes and bonds are as follows:

Year Ending June 30.	General Obligation Notes		Revenue Bonds		Total	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 295,000	48,558	84,000	30,870	379,000	79,428
2016	305,000	41,800	91,000	29,210	396,000	71,010
2017	315,000	33,925	92,000	27,155	407,000	61,080
2018	325,000	25,130	94,000	25,070	419,000	50,200
2019	50,000	15,505	95,000	22,925	145,000	38,430
2020-2024	270,000	58,055	509,000	76,155	779,000	134,210
2025-2027	185,000	13,314	220,000	11,550	405,000	24,864
	<u>\$ 1,745,000</u>	<u>236,287</u>	<u>1,185,000</u>	<u>222,935</u>	<u>2,930,000</u>	<u>459,222</u>

Revenue Notes

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$695,000 in water revenue notes issued in July 2012. Proceeds from the notes provided financing for the construction of water system improvements. The notes are payable solely from water customer net receipts and are payable through 2027. The total principal and interest remaining to be paid on the notes

CITY OF SANBORN, IOWA

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

is \$730,235. For the current year, principal and interest paid and total customer net receipts were \$54,110 and \$107,597 respectively.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$916,000 in sewer revenue notes issued in June 2004. Proceeds from the notes provided financing for the construction of sewer improvements and extensions. The notes are payable solely from sewer customer net receipts and are payable through 2025. The total principal and interest remaining to be paid on the notes is \$677,700. For the current year, principal and interest paid and total customer net receipts were \$61,390 and \$72,039 respectively.

The resolutions providing for the issuance of the revenue bonds include the following provisions:

- (a) The notes and bonds will only be redeemed from the future earnings of the enterprise activity and the note and bond holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to a separate water revenue note and sewer revenue bond sinking accounts within the Enterprise Funds for the purpose of making the note principal and interest payments when due.
- (c) The Sewer Bonds require the system generate net revenues sufficient to pay 110% of the highest annual principal and interest installments due to maturity.

A summary of changes in long-term debt for the year ended June 30, 2014 is as follows:

	General Obligation Bonds	Revenue Bonds	Total
Balance, beginning of year	\$ 1,290,000	1,268,000	2,558,000
Additions	700,000	-	700,000
Decreases	245,000	83,000	328,000
Balance, end of year	<u>\$ 1,745,000</u>	<u>1,185,000</u>	<u>2,930,000</u>

Interest rates on the general obligation bonds range from 1.00 to 4.2%. Interest rates on the revenue bonds range from .85 to 3.0%.

(4) Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits, which are established by State statute, to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required

CITY OF SANBORN, IOWA

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

supplementary information. The report may be obtained by writing to IPERS, P. O. Box 9117, Des Moines, Iowa 50306-9117.

Most regular plan members are required to contribute 5.95% of their annual salary and the City is required to contribute 8.93% of annual covered payroll. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2014, 2013, and 2012 were \$42,309, \$46,861, and \$47,979 respectively, equal to the required contributions for each year.

(5) Other Postemployment Benefits (OPEB)

Plan Description – The City operates a single-employer retiree benefit plan which provides medical benefits for retirees and their spouses. There are 14 active and 1 retired members in the plan. Participants must be age 55 or older at retirement.

The medical benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy – The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$360 for single coverage and \$878 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2014, the City contributed the entire cost of the plan, a total of \$100,013.

(6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon retirement, termination or death. Earned but unused sick leave hours are for subsequent use only. These accumulations are not recognized as expenditures by the City until they are used or paid. The City's approximate liability for earned vacation at June 30, 2014 was \$24,381. This liability has been computed based on rates of pay in effect at June 30, 2014.

(7) Economic Dependency

The Water, Sewer and Gas enterprise funds of the City of Sanborn derived the following receipts from Associated Milk Producers, Inc. for the fiscal year ended June 30, 2014:

	Amount	Percent of Total
Sale of Water	\$ 97,601	37%
Sale of Gas	621,182	43%
Sewer Rental Fees and Assessments	210,717	52%

CITY OF SANBORN, IOWA

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

(8) Interfund Transfers

The detail of interfund transfers, for the year ended June 30, 2014 is as follows:

<u>Transfer In</u>	<u>Transfer From</u>	<u>Amount</u>
General	Special Revenue Fund-LOST	\$ 182,680
	Debt Service	75,000
	Special Revenue Fund-Development	200,000
	Enterprise Fund-Solid Waste	10,000
	Enterprise Fund - Gas	<u>253,000</u>
		720,680
Special Revenue Fund- Non-major Employee Benefits	Enterprise Fund-Gas	15,000
Special Revenue Fund- Non-major Housing	Special Revenue Fund- Low-Moderate Housing	30,056
Special Revenue Fund- Low-Moderate Housing	Special Revenue Fund- Tax Increment Financing	165,000
Internal Service Fund- Equipment Replacement	General Fund	23,500
	Enterprise Fund-Water	4,000
	Enterprise Fund-Sewer	5,000
	Enterprise Fund-Gas	<u>16,500</u>
		<u>49,000</u>
	Total	<u>\$ 979,736</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the funds.

(9) Risk Management

The City of Sanborn is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omission; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(11) Property Tax

Property taxes are recognized as income when received in accordance with the cash basis of accounting. The property tax calendar is as follows for the City of Sanborn. Property tax becomes a lien on property as of July 1, 2013 and is payable in September 2013 and March 2014 of the fiscal year. The valuation for the

CITY OF SANBORN, IOWA

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

taxes was based on January 1, 2011 assessed property valuations, and are based on a certified budget from March of 2013.

(12) Deficit Fund Balance

The City reported a deficit balance of \$14,063 in the Solid Waste Fund at June 30, 2014. The deficit in the Solid Waste Fund is due in part to a transfer made to the General Fund during the year.

(13) Subsequent Events

Management has evaluated events and transactions through February 5, 2015, the date the financial statements were issued, for potential recognition or disclosure in the financial statements.

(14) Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB No. 27*. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information.

Other Information

CITY OF SANBORN, IOWA

BUDGETARY COMPARISON SCHEDULE
OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCES
BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS

OTHER INFORMATION

YEAR ENDED JUNE 30, 2014

	Governmental Funds Actual	Proprietary Funds Actual	Net
Receipts:			
Property tax	\$ 439,267	-	439,267
Tax Increment Financing Collections	239,244	-	239,244
Other city taxes	146,016	-	146,016
Licenses and permits	2,281	-	2,281
Use of money and property	7,825	6,575	14,400
Intergovernmental	288,410	-	288,410
Charges for service	412,062	2,264,029	2,676,091
Special assessments	-	-	-
Miscellaneous	108,604	38,974	147,578
	<u>1,643,709</u>	<u>2,309,578</u>	<u>3,953,287</u>
Disbursements:			
Program			
Public safety	219,487	-	219,487
Public works	195,315	-	195,315
Culture and recreation	525,060	-	525,060
Community and economic development	141,757	-	141,757
General government	146,207	-	146,207
Debt service	295,826	-	295,826
Capital projects	1,343,021	-	1,343,021
Business type activities	-	2,251,560	2,251,560
	<u>2,866,673</u>	<u>2,251,560</u>	<u>5,118,233</u>
Excess (deficiency) of receipts over disbursements	(1,222,964)	58,018	(1,164,946)
Other financing sources (uses), net	<u>1,005,375</u>	<u>(254,500)</u>	<u>750,875</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(217,589)	(196,482)	(414,071)
Balance beginning of year	<u>1,166,852</u>	<u>1,094,695</u>	<u>2,261,547</u>
Balance end of year	<u>\$ 949,263</u>	<u>898,213</u>	<u>1,847,476</u>

See accompanying independent auditor's report

Budgeted Amounts		Final to Net Variance
Original	Final	
430,632	430,632	8,635
240,837	240,837	(1,593)
131,501	131,501	14,515
6,275	6,275	(3,994)
20,025	20,025	(5,625)
342,000	342,000	(53,590)
2,477,815	2,877,815	(201,724)
10,000	10,000	(10,000)
47,500	107,500	40,078
3,706,585	4,166,585	(213,298)

322,028	322,028	102,541
226,400	226,400	31,085
208,650	504,500	(20,560)
280,000	480,000	338,243
146,650	146,650	443
280,218	280,218	(15,608)
1,650,000	1,650,000	306,979
3,890,633	3,690,633	1,439,073
7,004,579	7,300,429	2,182,196

(3,297,994)	(3,133,844)	1,968,898
3,160,000	3,160,000	(2,409,125)

(137,994)	26,156	(440,227)
2,275,302	2,275,302	(13,755)
2,137,308	2,301,458	(453,982)

CITY OF SANBORN, IOWA

NOTES TO OTHER INFORMATION – BUDGETARY REPORTING

June 30, 2014

The budgetary comparison is presented as Other Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business-type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds, and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$295,850. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2014, disbursements exceeded the budgeted amount for the culture and recreation and the debt service functions.

Supplementary Information

CITY OF SANBORN, IOWA

Schedule 1

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
NONMAJOR GOVERNMENTAL FUNDS

AS OF AND FOR THE YEAR ENDED JUNE 30, 2014

	Special Revenue Funds				Debt Service	Total
	LOST	Road Use Tax	Employees Benefits	Housing		
Receipts:						
Property tax	\$ -	\$ -	\$ 72,607	\$ -	81,084	\$ 153,691
Other city tax	134,506	-	-	-	-	134,506
Use of money and property	422	-	-	-	112	534
Intergovernmental	-	140,195	-	48,431	-	188,626
	<u>134,928</u>	<u>140,195</u>	<u>72,607</u>	<u>48,431</u>	<u>81,196</u>	<u>477,357</u>
Disbursements:						
Public safety	-	-	39,017	-	-	39,017
Public works	-	133,668	19,030	-	-	152,698
Culture and recreation	-	-	11,725	-	-	11,725
Community and economic development	95,131	-	-	42,859	-	137,990
General government	-	-	5,255	-	-	5,255
Debt Service	-	-	-	-	15,608	15,608
	<u>95,131</u>	<u>133,668</u>	<u>75,027</u>	<u>42,859</u>	<u>15,608</u>	<u>362,293</u>
Excess (deficiency) of receipts over (under) disbursements	39,797	6,527	(2,420)	5,572	65,588	115,064
Other financing sources (uses):						
Operating transfers in	-	-	15,000	30,056	-	45,056
Operating transfers out	(182,680)	-	-	-	(75,000)	(257,680)
	<u>(182,680)</u>	<u>-</u>	<u>15,000</u>	<u>30,056</u>	<u>(75,000)</u>	<u>(212,624)</u>
Net change in cash balances:	(142,883)	6,527	12,580	35,628	(9,412)	(97,560)
Balance beginning of year	<u>174,023</u>	<u>76,127</u>	<u>16,141</u>	<u>(35,628)</u>	<u>22,913</u>	<u>253,576</u>
Balance end of year	<u>\$ 31,140</u>	<u>\$ 82,654</u>	<u>\$ 28,721</u>	<u>\$ -</u>	<u>\$ 13,501</u>	<u>\$ 156,016</u>
Cash basis fund balance						
Restricted for:						
Streets	\$ -	\$ 82,654	\$ -	\$ -	\$ -	\$ 82,654
Debt Service	-	-	-	-	13,501	13,501
Other purposes	31,140	-	28,721	-	-	59,861
	<u>\$ 31,140</u>	<u>\$ 82,654</u>	<u>\$ 28,721</u>	<u>\$ -</u>	<u>\$ 13,501</u>	<u>\$ 156,016</u>

See accompanying independent auditor's report.

CITY OF SANBORN, IOWA

Schedule 2

SCHEDULE OF INDEBTEDNESS

YEAR ENDED JUNE 30, 2014

Obligation	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
General obligation notes and bonds:									
Street and Utility Improvements and Refunding of Notes	June 15, 2007	3.75 - 4.20 %	\$ 735,000	190,000	-	45,000	145,000	7,842	-
Swimming Pool Bonds	March 9, 2010	1.00 - 3.10 %	1,500,000	1,100,000	-	200,000	900,000	27,375	-
Street Corporate Interest Bonds	August 8, 2013	1.35-3.55%	700,000	-	700,000	-	700,000	15,108	-
				<u>\$ 1,290,000</u>	<u>700,000</u>	<u>245,000</u>	<u>1,745,000</u>	<u>50,325</u>	<u>-</u>
Revenue notes and bonds:									
Sewer Revenue Bond	June 9, 2004	3.00 %	\$ 916,000	613,000	-	43,000	570,000	18,390	-
Water Revenue Bond	July 12, 2012	.85 - 3.0%	695,000	655,000	-	40,000	615,000	14,110	-
				<u>\$ 1,268,000</u>	<u>-</u>	<u>83,000</u>	<u>1,185,000</u>	<u>32,500</u>	<u>-</u>

See accompanying independent auditor's report.

CITY OF SANBORN, IOWA
BOND AND NOTE MATURITIES

JUNE 30, 2014

Year Ending June 30,	Street and Utility Improvements and Refunding of Notes		Swimming Pool Bonds		Street Corporate Interest Bonds	
	Issued June 15, 2007		Issued March 9, 2010		Issued August 8, 2013	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2015	4.10%	45,000	2.10%	205,000	1.35%	45,000
2016	4.15%	50,000	2.50%	205,000	1.35%	50,000
2017	4.20%	50,000	2.80%	215,000	1.35%	50,000
2018		-	3.10%	275,000	2.20%	50,000
2019		-		-	2.20%	50,000
2020		-		-	2.20%	50,000
2021		-		-	2.90%	55,000
2022		-		-	2.90%	55,000
2023		-		-	2.90%	55,000
2024		-		-	3.55%	55,000
2025		-		-	3.55%	60,000
2026		-		-	3.55%	60,000
2027		-		-	3.55%	65,000
		<u>\$ 145,000</u>		<u>\$ 900,000</u>		<u>\$ 700,000</u>
	<u>Revenue Bond - Water</u>		<u>Revenue Bond - Sewer</u>			
	<u>Issued July 12, 2012</u>		<u>Issued June 9, 2004</u>			
Year Ending June 30,	Interest Rates	Amount	Interest Rates	Amount		
2015	0.85%	40,000	3.00%	44,000		
2016	1.50%	45,000	3.00%	46,000		
2017	1.50%	45,000	3.00%	47,000		
2018	1.50%	45,000	3.00%	49,000		
2019	1.50%	45,000	3.00%	50,000		
2020	1.50%	45,000	3.00%	52,000		
2021	1.50%	45,000	3.00%	53,000		
2022	2.60%	45,000	3.00%	55,000		
2023	2.60%	50,000	3.00%	56,000		
2024	2.60%	50,000	3.00%	58,000		
2025	3.00%	50,000	3.00%	60,000		
2026	3.00%	55,000				
2027	3.00%	55,000				
		<u>\$ 615,000</u>		<u>\$ 570,000</u>		

See accompanying independent auditor's report.

Total General Obligation Notes and Bonds	
<hr/>	
	295,000
	305,000
	315,000
	325,000
	50,000
	50,000
	55,000
	55,000
	55,000
	55,000
	60,000
	60,000
	65,000
	<hr/>
\$	1,745,000
	<hr/>

Total Revenue Notes and Bonds	
<hr/>	
	84,000
	91,000
	92,000
	94,000
	95,000
	97,000
	98,000
	100,000
	106,000
	108,000
	110,000
	55,000
	55,000
	<hr/>
\$	1,185,000
	<hr/>

CITY OF SANBORN, IOWA

Schedule 4

SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION -
ALL GOVERNMENTAL FUNDS

FOR THE TEN YEARS ENDED JUNE 30:

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Receipts										
Property tax	\$ 439,267	424,440	410,010	372,195	342,061	333,419	314,787	300,436	307,930	310,156
Tax increment financing collections	239,244	309,608	302,657	338,326	330,923	316,767	322,536	300,923	274,714	268,794
Other city tax	146,016	153,407	131,691	132,475	98,389	160,293	119,993	110,846	86,993	86,705
Licenses and permits	2,281	1,859	2,265	1,970	2,240	2,006	3,309	2,025	2,640	2,295
Use of money and property	7,825	8,513	10,339	33,675	12,398	24,453	91,992	101,889	85,642	65,244
Intergovernmental	288,410	372,994	259,249	300,828	227,850	171,152	205,972	339,906	270,420	410,820
Charges for service	412,062	404,813	413,717	416,438	367,092	321,482	211,599	147,033	140,143	136,521
Special assessments	-	-	-	-	-	-	14,245	13,242	19,142	24,963
Miscellaneous	108,604	115,539	79,128	435,623	455,086	160,653	123,736	95,980	255,115	370,801
	<u>\$ 1,643,709</u>	<u>1,791,173</u>	<u>1,609,056</u>	<u>2,031,530</u>	<u>1,836,039</u>	<u>1,490,225</u>	<u>1,408,169</u>	<u>1,412,280</u>	<u>1,442,739</u>	<u>1,676,299</u>
Disbursements:										
Operating:										
Public safety	\$ 219,487	599,586	197,001	223,884	355,630	237,193	206,137	325,424	156,047	205,530
Public works	195,315	175,731	152,257	195,442	173,525	178,391	173,930	193,169	158,089	163,125
Culture and recreation	525,060	506,993	525,741	2,363,203	522,902	470,737	563,835	662,809	263,336	286,071
Community and economic development	141,757	141,712	388,089	252,458	69,672	53,122	174,789	110,066	115,815	302,720
General government	146,207	164,465	133,373	120,051	120,855	129,655	114,919	116,409	109,260	131,803
Debt service	295,826	433,464	284,057	186,808	260,690	258,958	266,006	522,856	213,768	208,664
Capital projects	1,343,021	-	1,343,021	1,343,021	682,839	274,250	416,338	26,337	430,159	21,103
	<u>\$ 2,866,673</u>	<u>2,021,951</u>	<u>3,023,539</u>	<u>4,684,867</u>	<u>2,186,113</u>	<u>1,602,306</u>	<u>1,915,954</u>	<u>1,957,070</u>	<u>1,446,474</u>	<u>1,319,016</u>

See accompanying independent auditor's report



T.P. ANDERSON & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

To the Honorable Mayor and
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Sanborn, Iowa, as of and for the year ended June 30, 2014, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 5, 2015. Our report expressed an adverse opinion and unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Sanborn's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Sanborn's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be a material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Sanborn's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings as item I-A-14 to be a material weakness.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-B-14 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Sanborn's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Sanborn's Responses to Findings

The City of Sanborn's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Sanborn during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

T.P. Anderson & Company, P.C.

February 5, 2015

CITY OF SANBORN, IOWA

SCHEDULE OF FINDINGS

June 30, 2014

Part I: Findings Related to the Financial Statements

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-A-14 Segregation of Duties – We noted that the cash receipts function and the recording of the cash receipts is, on occasion, performed by the same person.

Criteria - _One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible.

Cause - The City's staff size does not allow for separate employees from handling incompatible duties.

Effect – The City's internal control system is not as strong as it would be if incompatible duties could be separated among different employees.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the City should review its operating procedures to obtain the maximum internal control possible with existing personnel, and utilize administrative personnel to provide additional control through oversight and review.

Response - We will review our operating procedures and to the extent possible, segregate duties among our staff.

Conclusion – Response accepted.

I-B-14 Vehicle Policy –The City has not adopted a formal policy to regulate the personal use of City vehicles.

Criteria – The Internal Revenue Service has regulations that govern vehicles provided by an employer and what should happen with any personal use of an employer sponsored vehicle.

Cause – The City does not feel that there is any personal use and never felt the need to adopt a policy over the usage of City vehicles.

Effect – There is no clear policy that documents what is allowed, not allowed, or expected by the City when there is use of a City provided vehicle.

CITY OF SANBORN, IOWA

SCHEDULE OF FINDINGS

June 30, 2014

Recommendation – The City should adopt a formal written policy regulating the use of vehicles for authorized employees. The policy, at a minimum, should define when use of the vehicle is appropriate and when use of the vehicle for personal use would be inappropriate.

Response – Although we have not established a formal written policy detailing specifics on the use of the City vehicles, we have unwritten guidelines. We will review procedures and guidelines and establish a written policy.

Conclusion – Response accepted.

Part II: Other Findings Related to Statutory Reporting:

II-A-14 Certified Budget - Disbursements during the year ended June 30, 2014 exceed the amount budgeted in the culture and recreation and debt service function.

Criteria – Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

Cause – The City did not identify the potential areas of noncompliance in time to amend the budget appropriately.

Effect – With respect to the culture and recreation and debt service functions, the City did not comply with its budgeted limitations.

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The budget will be amended in the future, if applicable.

Conclusion – Response accepted

II-B-14 Questionable Disbursement - We noted no questionable disbursements in regard to the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-C-14 Travel Expense - No disbursements of City money for travel expense of spouses of City officials or employees were noted.

II-D-14 Business Transactions – No transactions between the city and city officials were noted.

CITY OF SANBORN, IOWA

SCHEDULE OF FINDINGS

June 30, 2014

- II-E-14 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-14 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.
- II-G-14 Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.
- II-H-14 General obligation bonds – We noted that during the year that principal and interest on general obligation bonds were paid from the Urban Renewal Tax Increment Fund instead of the Debt Service Fund.

Criteria – Chapter 384.4 of the Code of Iowa requires that general obligation debt payments be paid from the Debt Service Fund.

Cause – The bonds in question were eligible to be paid from the TIF property tax levy for the City and therefore the City made the payments from the Urban Renewal Tax Increment Fund.

Effect – The debt payments made from the Urban Renewal Tax Increment Fund did not comply with Chapter 384.4 of the Code of Iowa.

Recommendation – In the future, transfer proceeds that will be used to pay general obligation bonds to the Debt Service fund and pay all general obligation debt from the Debt Service fund.

Response - We will make all general obligation debt payments from our Debt Service Fund in the future.

Conclusion – Response accepted.

- II-I-14 Revenue Bonds and Notes – No instances of non-compliance with the revenue and note resolutions were noted.
- II-J-14 Christmas Bonuses - We noted that the City has made a practice of providing Christmas bonuses in the form of Chamber dollars to its employees.

Criteria – Compensation for work performed by City employees regardless of the form of that compensation is subject to all applicable withholdings and tax reporting.

Cause – The City believed the chamber dollars to be de minimis.

CITY OF SANBORN, IOWA

SCHEDULE OF FINDINGS

June 30, 2014

Effect – The Christmas “gifts” technically are not in compliance with IRS payroll regulations.

Recommendation – The City should include all employee payments, including chamber dollars, as earnings on the employees’ W-2 payroll forms.

Response – The City considered the payments a de minimis fringe benefit that would not be required to be added to the W-2. We will take action to report all pay correctly in the future should the bonuses exceed the de minimis limitation.

Conclusion – Response accepted.

II-K-14 Financial Condition – As of June 30, 2014, the Solid Waste Fund had a deficit balance of \$14,063.

Criteria – Funds with a deficit fund balance may indicate a fund that is not in a sound financial position.

Cause – Rates charged in the past were not high enough to cover applicable expenses.

Effect – The fund balance became negative.

Recommendation – The City should investigate alternatives to eliminate this deficit in order to return this fund to a sound financial position.

Response – We decreased the deficit in this fund by half in the year ended June 30, 2014 and would expect that trend to continue.

Conclusion – Response accepted.